

EXHIBIT 1



LETTER AGREEMENT

This letter agreement summarizes the terms and conditions with respect to a business relationship between Nectar Kalajian, Kalajian Family Trust, Security Pacific Home Loans, Inc. ("SPHL") a California Corporation located at 123 North Lake Avenue, Pasadena CA, 91101, and Skyline Financial Corporation ("Skyline"), a California Corporation with its primary place of business at 27349 Agoura Road, Calabasas, CA 91301.

Overview: Starting on November 1st, 2009, Nectar Kalajian and targeted former employees of SPHL will become employees of Skyline. Nectar will open the new Pasadena branch of Skyline ("Division") and recruit the targeted employees to join Skyline.

Revenue/Net Income Outline: The compensation agreement between Nectar Kalajian and Skyline shall be based on a specific revenue sharing / net income model (detailed in *Exhibit A / Exhibit B – attached*) sharing a defined percentage of the net income of the Division. As detailed in *Exhibit A*, monthly "Divisional Net Income" is Skyline's Gain on Sale (Loan Origination Fees, plus Secondary Marketing premium, plus fee income), less(-) actual and allocated Division expenses.

Structure: (1) Skyline will license the trade name and service mark Security Pacific Home Loans from Kalajian Family Trust as more specifically described in the Trademark and Service Mark License Agreement. After the California Department of Corporations approves the addition of the Security Pacific Home Loans d/b/a to Skyline's mortgage lender licenses, the Division shall operate as Skyline Financial d/b/a Security Pacific Home Loans. The parties acknowledge that Skyline's continued use of the SPHL name is at the discretion of Skyline's Board of Directors.

(2) Skyline will enter into a Lease with Kalajian Family Trust for the new Pasadena office. Kalajian Family Trust will deliver a fully functioning office space to Skyline, complete with utilities, phones, computers, furniture, fax machines, data capabilities, copiers and supplies adequate to conduct day-to-day mortgage business under the terms of this agreement. The total monthly rent under each sublease shall include the cost of such utilities, furniture and equipment. The parties agree to comply with any HUD requirements relating to the operation of Skyline's new Pasadena office. The initial term of the Lease will run through April 30th, 2010. Upon mutual agreement of Kalajian Family Trust and Skyline, and if Nectar Kalajian and 75% the targeted employees of SPHL are still employed by Skyline Financial as of April 30th, 2010, Skyline will extend the Lease for an additional 6 months.



(3) In connection with the relationship contemplated by this Letter agreement and the transaction documents described below, Skyline is not assuming any liabilities of SPHL.

Changes in Name:

The parties acknowledge that Skyline's continued use of the SPHL name is at the discretion of Skyline's Board of Directors. If Skyline is renamed, forms a new company in a name other than Skyline, or the Board decides to discontinue use of the SPHL name, the Division shall operate in the name specified by the Board.

Loan Pipeline:

As targeted employees of SPHL join Skyline on or after November 1, 2009, their new loans will be originated and closed on Skyline's system and all accounting of revenue and expenses will be confirmed through Skyline's accounting department.

Timing of Compensation:

Nectar shall be paid 30 days in arrears based on monthly Profit and Loss (P & L) statements of Skyline Financial for the Division.

Unit Incentive Plan:

As additional consideration for entering this agreement and continuing as an employee of Skyline, Skyline will offer Nectar Kalajian the opportunity to participate in a Unit Incentive Plan ("UIP") when Skyline finalizes such plan. The UIP shall allow certain employees of Skyline who contribute substantially to the growth and/or management of Skyline to share in the long term appreciation of Skyline upon a liquidity event. Common shares under the Unit Incentive Plan can be earned/awarded based on performance and are at the sole discretion of the Board of Directors.

Effective Date:

November 1, 2009.

Transaction Documents:

The specific terms and conditions related to this letter agreement shall be set forth in the following documents:

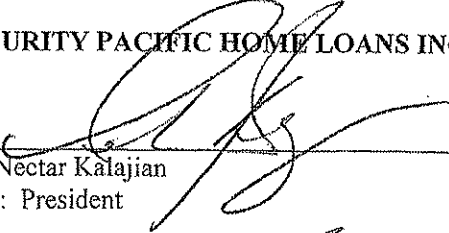
- 1) Trademark and Service Mark License Agreement to license the SPHL name/mark from Kalajian Family Trust
- 2) Lease between Kalajian Family Trust and Skyline for the Pasadena office
- 3) Compensation Plan
- 4) Exhibit A: Compensation outline
- 5) Exhibit B: Finalized 2009/2010 Budget

[SIGNATURE PAGE FOLLOWS]




ACCEPTED:

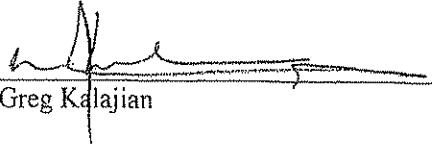
SECURITY PACIFIC HOME LOANS INC.


By: Nectar Kalajian
Title: President

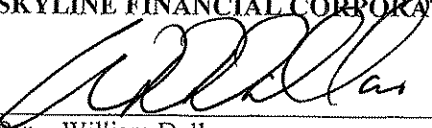
NECTAR KALAJIAN


By: Nectar Kalajian

KALAJIAN FAMILY TRUST


By: Greg Kalajian

SKYLINE FINANCIAL CORPORATION


By: William Dallas
Title: CEO and Chairman